



**INCOME STATEMENT**

	Bank			Group		
	2012 B\$'000	2011 B\$'000	Change %	2012 B\$'000	2011 B\$'000	Change %
For the year ended 31 December						
<b>Income</b>						
Income derived from investment of depositors' funds and others	187,798	144,587	29.9	219,803	170,281	29.1
Income derived from investment of shareholders' funds	36,699	28,859	27.2	55,961	43,882	27.5
<b>Less:</b>						
Allowance for losses on financing and advances	(4,541)	(8,866)	(48.8)	(5,801)	(10,446)	(44.5)
Writeback of impairment for losses on investments	132	-	N/A	132	-	N/A
<b>Total distributable profit</b>	<b>220,088</b>	<b>164,580</b>	<b>33.7</b>	<b>270,095</b>	<b>203,717</b>	<b>32.6</b>
Income attributable to depositors	(13,851)	(13,748)	0.8	(19,000)	(18,597)	2.2
<b>Total net income</b>	<b>206,237</b>	<b>150,832</b>	<b>36.7</b>	<b>251,095</b>	<b>185,120</b>	<b>35.6</b>
<b>Less:</b>						
Personnel expenses	(43,275)	(36,425)	18.8	(48,125)	(40,360)	19.2
Provision for staff retirement benefits	(571)	(542)	5.4	(618)	(713)	(13.3)
Other overhead expenses	(38,319)	(25,860)	48.2	(51,350)	(36,025)	42.5
<b>Total operating expenses</b>	<b>(82,165)</b>	<b>(62,827)</b>	<b>30.8</b>	<b>(100,093)</b>	<b>(77,098)</b>	<b>29.8</b>
<b>Less: Finance cost</b>	<b>(3)</b>	<b>(59)</b>	<b>(94.9)</b>	<b>(3)</b>	<b>(59)</b>	<b>(94.9)</b>
<b>Profit from operations</b>	<b>124,059</b>	<b>87,946</b>	<b>41.1</b>	<b>150,999</b>	<b>107,963</b>	<b>39.9</b>
Share of profit of associate (net of tax)	-	-	N/A	-	781	(100.0)
<b>Profit before zakat and taxation</b>	<b>124,059</b>	<b>87,946</b>	<b>41.1</b>	<b>150,999</b>	<b>108,744</b>	<b>38.9</b>
<b>Less:</b>						
Zakat	(2,653)	(2,489)	6.6	(2,653)	(2,489)	6.6
Income tax expense	(23,612)	(12,819)	84.2	(29,770)	(19,420)	53.3
<b>Total zakat and income tax expense</b>	<b>(26,265)</b>	<b>(15,308)</b>	<b>71.6</b>	<b>(32,423)</b>	<b>(21,909)</b>	<b>48.0</b>
<b>Profit for the financial year</b>	<b>97,794</b>	<b>72,638</b>	<b>34.6</b>	<b>118,576</b>	<b>86,835</b>	<b>36.6</b>
Profit for the year attributable to:						
Equity holders of the Bank	97,794	72,638	34.6	117,767	84,891	38.7
Minority interests	-	-	N/A	809	1,944	(58.4)
<b>Profit for the financial year</b>	<b>97,794</b>	<b>72,638</b>	<b>34.6</b>	<b>118,576</b>	<b>86,835</b>	<b>36.6</b>
Dividend per ordinary share (B\$)	0.047	0.037	27.0	0.047	0.037	27.0
Basic and diluted earnings per share (B\$)	0.13	0.10	33.9	0.16	0.12	36.6
Return on Assets, (ROA) Before Tax, %	2.21	1.54	43.3	2.48	1.78	39.1
Return on Assets, (ROA) After Tax, %	1.74	1.27	36.8	1.95	1.42	36.8
Return on Equity, (ROE) After Tax, %	10.23	8.16	25.4	11.33	9.08	24.8

**BALANCE SHEET**

	Bank			Group		
	2012 B\$'000	2011 B\$'000	Change %	2012 B\$'000	2011 B\$'000	Change %
As at 31 December						
<b>Assets</b>						
Cash and short term funds	2,788,078	3,010,349	(7.4)	2,773,564	2,978,505	(6.9)
Balances with Authoriti						
Monetary Brunei Darussalam	250,374	260,345	(7.0)	273,536	289,639	(5.6)
Government Sukuk	22,995	41,979	(45.2)	22,995	41,979	(45.2)
Deposits and placements with banks and other financial institutions	-	4,203	(100.0)	-	4,203	(100.0)
Investments	545,591	533,237	2.3	556,458	439,216	26.7
Financing and advances	1,895,916	1,673,332	13.3	2,330,886	2,153,265	8.2
Investments in subsidiaries	26,483	26,483	(0.0)	-	-	N/A
Investment in associate	7,080	7,080	(0.0)	7,903	7,903	0.0
Group balances receivable	190	225	(15.6)	-	-	N/A
Fixed assets	30,832	33,152	(7.0)	66,157	67,503	(2.0)
Other assets	41,540	92,728	(55.2)	61,133	114,291	(46.5)
Deferred tax assets	-	7,662	(100.0)	-	7,662	(100.0)
<b>Total assets</b>	<b>5,609,079</b>	<b>5,699,775</b>	<b>(1.6)</b>	<b>6,092,632</b>	<b>6,105,166</b>	<b>(0.2)</b>
<b>Liabilities and equity</b>						
Deposits from customers	4,217,335	4,416,794	(4.5)	4,469,766	4,690,480	(4.7)
Deposits from banks and other financial institutions	309,770	266,217	16.4	425,762	308,096	38.2
Financing	10,000	-	N/A	10,000	-	N/A
Group balances payable	990	167	493.4	-	-	N/A
Other liabilities	82,494	94,536	(12.7)	95,522	107,549	(11.2)
Deferred tax liabilities	182	-	N/A	2,182	-	N/A
Zakat	2,657	2,489	6.8	5,081	4,913	3.4
Provision for taxation	30,162	29,848	1.1	37,906	37,592	0.8
<b>Total liabilities</b>	<b>4,653,590</b>	<b>4,810,051</b>	<b>(3.1)</b>	<b>5,046,219</b>	<b>5,148,630</b>	<b>(2.0)</b>
<b>Shareholders' equity</b>						
Share capital	774,750	774,750	-	774,750	774,750	-
Statutory reserves fund	207,260	133,914	54.8	237,263	153,919	54.1
Other reserves	23,479	31,000	(24.4)	62,648	60,856	2.9
Total shareholders' funds	955,489	889,724	7.4	1,046,413	939,565	9.1
Minority interests	-	-	N/A	21,752	16,971	28.2
<b>Total equity</b>	<b>955,489</b>	<b>889,724</b>	<b>7.4</b>	<b>1,046,413</b>	<b>956,536</b>	<b>9.4</b>
<b>Total liabilities and equity</b>	<b>5,609,079</b>	<b>5,699,775</b>	<b>(1.6)</b>	<b>6,092,632</b>	<b>6,105,166</b>	<b>(0.2)</b>
Contingencies and commitments	3,425,414	3,717,330	(7.9)	3,429,494	3,717,330	(7.7)

**STATEMENTS OF CHANGES IN EQUITY**

**BANK**

	Share capital	Statutory reserves fund	Net unrealised gain/(loss) on available-for-sale investments	Retained profits	Total equity
For the year ended 31 December					
<b>Balance as at 1 January 2011</b>	<b>774,750</b>	<b>79,435</b>	<b>-</b>	<b>42,813</b>	<b>846,998</b>
Net change in fair value of available-for-sale investments	-	-	(3,096)	-	(3,096)
Net profit for the financial year	-	-	-	72,638	72,638
Dividends paid during the year	-	-	-	(26,816)	(26,816)
Transfers during the year	-	54,479	-	(54,479)	-
<b>Balance as at 31 December 2011/1 January 2012</b>	<b>774,750</b>	<b>133,914</b>	<b>(3,096)</b>	<b>34,156</b>	<b>895,724</b>
Net change in fair value of available-for-sale investments	-	-	2,034	-	2,034
Net profit for the financial year	-	-	-	97,794	97,794
Dividends paid during the year	-	-	-	(34,063)	(34,063)
Transfers during the year	-	73,346	-	(73,346)	-
<b>Balance as at 31 December 2012</b>	<b>774,750</b>	<b>207,260</b>	<b>(1,062)</b>	<b>24,541</b>	<b>955,489</b>

**GROUP**

	Share capital	Statutory reserves fund	Net unrealised gain/(loss) on available-for-sale investments		Total Minority interests	Total equity
			Retained profits	Retained profits		
For the year ended 31 December						
<b>Balance as at 1 January 2011</b>	<b>774,750</b>	<b>94,440</b>	<b>-</b>	<b>63,780</b>	<b>882,978</b>	<b>7,782</b>
Net change in fair value of available-for-sale investments	-	-	(1,488)	-	(1,488)	-
Net profit for the financial year	-	-	-	84,891	1,944	86,835
Dividends paid during the year	-	-	-	(26,816)	-	(26,816)
Transfers during the year	-	59,479	-	(59,479)	-	-
Contributions from minority interest	-	-	-	-	2,245	2,245
<b>Balance as at 31 December 2011/1 January 2012</b>	<b>774,750</b>	<b>153,919</b>	<b>(1,488)</b>	<b>62,384</b>	<b>998,565</b>	<b>16,971</b>
Net change in fair value of available-for-sale investments	-	-	1,392	-	1,392	-
Net profit for the financial year	-	-	-	117,767	839	118,576
Dividends paid during the year	-	-	-	(34,063)	-	(34,063)
Transfers during the year	-	83,344	-	(83,344)	-	-
Contributions from minority interest	-	-	-	-	3,972	3,972
<b>Balance as at 31 December 2012</b>	<b>774,750</b>	<b>237,263</b>	<b>(96)</b>	<b>62,744</b>	<b>1,024,641</b>	<b>21,752</b>

**CASH FLOW STATEMENT**

	Bank		Group	
	2012 B\$'000	2011 B\$'000	2012 B\$'000	2011 B\$'000
For the year ended 31 December				
<b>Cash flow from operating activities</b>				
Income from financing	120,899	128,026	158,569	157,980
Income/profit paid to depositors	(11,643)	(13,748)	(16,537)	(18,597)
Proceeds from other operating activities	76,418	47,256	101,638	52,240
Cash payments to employees and suppliers	(40,432)	(36,425)	(48,419)	(40,380)
Payments on other operating activities	(23,058)	(18,817)	(33,729)	(28,744)
Cash flow from operating profit before changes in operating assets and liabilities	121,884	106,292	161,520	129,619
(Increase)/decrease in operating assets	(16,970)	(89,197)	16,100	(93,252)
Deposits from customers	(489,578)	(479,914)	(484,515)	(533,915)
Deposits and placements with banks and other financial institutions	(237,883)	(210,990)	(194,189)	(126,120)
Financing and advances	4,053	(665)	5,284	(8,244)
Other assets	(704,406)	73,219	(656,689)	(29,291)
(Decrease)/increase in operating liabilities	(161,820)	958,216	(203,079)	1,063,965
Deposits from banks and other financial institutions	43,553	115,607	117,666	92,462
Other liabilities	(8,649)	707	(15,469)	3,862
Cash (used in)/generated from operations	(729,338)	1,254,043	(996,055)	1,290,554
Zakat paid	(2,485)	(2,389)	(2,485)	(2,389)
Income tax paid	(15,455)	(11,374)	(19,614)	(11,374)
Net cash (used in)/generated from operating activities	(747,278)	1,240,280	(618,154)	1,236,791
<b>Cash flow from investing activities</b>				
Purchase of fixed assets	(6,854)	(12,511)	(10,181)	(13,152)
Disposal of fixed assets	40	13	40	13
Purchase of Government Sukuk	(304,858)	(211,008)	(304,858)	(211,008)
Proceeds from Government Sukuk upon maturity	323,848	239,000	323,848	239,000
Purchase of investments	(158,278)	(244,045)	(141,669)	(241,179)
Dividend received	106,341	32,486	6,341	32,486
Dividend received	1,607	362	2,293	984
Net cash used in investing activities	(116,157)	(198,733)	(123,899)	(192,870)
<b>Cash flow from financing activities</b>				
Dividends paid	(34,063)	(26,816)	(34,063)	(26,816)
Insurance (repayment) of financing	10,000	(5,195)	10,000	(5,195)
Net cash used in financing activities	(24,063)	(32,011)	(24,063)	(32,011)
Net (decrease)/increase in cash and cash equivalent	(787,489)	1,012,566	(766,108)	1,011,904
Cash and cash equivalent at 1 January	2,818,088	1,805,522	2,790,244	1,778,340
Cash and cash equivalent at 31 December	2,030,599	2,818,088	2,024,136	2,790,244
Cash and short-term funds at 31 December	2,788,078	3,010,349	2,773,564	2,978,505
Less: Money-at-call and short notice and interbank placements with maturity more than 3 months	(757,488)	(1,992,251)	(749,428)	(1,991,261)
Cash and cash equivalent at 31 December	2,030,599	2,818,088	2,024,136	2,790,244

**OTHER FINANCIAL INFORMATION**

**1. Financing and advances**

**1.1 By contract**

	Bank		Group	
	2012 B\$'000	2011 B\$'000	2012 B\$'000	2011 B\$'000
Al-Kafalah bil Mal and Al-Bai Al-Wakalah bil Ujrah	5,059	4,397	5,059	4,397
Bar/Bithaman Ajil (deferred payment sale) (jarah lease)	38,900	38,467	38,900	38,467
Jarah (lease)	1,526,826	1,505,267	1,526,826	1,505,267
Jarah Muntahia Bittamlik /AITAB (lease ended with ownership)	98,325	1	98,325	1
Murabahah (cost-plus)	3,502	9,855	452,153	407,703
Musharakah (profit and loss sharing)	342,912	285,378	335,340	272,513
Qard (benevolent loan)	15,389	1,231	15,389	1,231
Others	1,851	6		



(ii) The key management personnel (KMP) and other individuals and entities (Other individuals and entities referred in sections (b) to (f) of section 29 (1) of the Islamic Banking Order 2008)

**a. Balance Sheet**

	KMP Bank		KMP Group		Other Individuals and Entities Bank		Other Individuals and Entities Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>Assets</b>								
Financing	1,129	1,249	1,164	1,443	46,308	44,705	55,072	48,100
Credit card (secured)	18	8	-	-	1,225	1,319	58	61
<b>Total</b>	<b>1,147</b>	<b>1,257</b>	<b>1,164</b>	<b>1,443</b>	<b>48,183</b>	<b>46,024</b>	<b>55,130</b>	<b>48,259</b>
<b>Liabilities</b>								
Deposits	784	542	1,020	542	5,023	3,376	8,222	3,447
<b>Total</b>	<b>784</b>	<b>542</b>	<b>1,020</b>	<b>542</b>	<b>5,023</b>	<b>3,376</b>	<b>8,222</b>	<b>3,447</b>
No of shares held	43	43	43	43	405	405	405	405
Dividends paid	2	2	2	2	19	15	19	15

**b. Income Statement**

	KMP Bank		KMP Group		Other Individuals and Entities Bank		Other Individuals and Entities Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>Income</b>								
Income on financing	32	42	38	52	1,766	1,929	2,694	2,019
<b>Total</b>	<b>32</b>	<b>42</b>	<b>38</b>	<b>52</b>	<b>1,766</b>	<b>1,929</b>	<b>2,694</b>	<b>2,019</b>
<b>Expenses</b>								
Income attributable to depositors	4	4	15	4	19	35	92	36
<b>Total</b>	<b>4</b>	<b>4</b>	<b>15</b>	<b>4</b>	<b>19</b>	<b>35</b>	<b>92</b>	<b>36</b>
<b>Off-balance sheet items</b>								
Undrawn facilities	153	-	-	-	2,139	1,452	60	1,724
<b>Total</b>	<b>153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,139</b>	<b>1,452</b>	<b>60</b>	<b>1,724</b>

(iii) The group related party, shall include Subsidiaries and other related companies.

**a. Balance Sheet**

	Subsidiaries				Other related Companies			
	2012		2011		2012		2011	
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>Assets</b>								
Financing			7,572	12,465	-	-	-	-
Investments			8,334	107,691	-	-	-	-
Placements			50,960	28,069	-	-	-	-
Others			21	635	-	-	-	-
<b>Total</b>			<b>66,887</b>	<b>148,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>								
Deposits			98,782	150,171	6,924	6,924	-	-
Others			1,293	406	2	2	-	-
<b>Total</b>			<b>100,075</b>	<b>150,577</b>	<b>6,926</b>	<b>6,926</b>	<b>-</b>	<b>-</b>
No. of shares held			-	-	8,837	8,837	-	-
Dividend paid			-	-	415	327	-	-

**b. Income Statement**

	Subsidiaries				Other related Companies			
	2012		2011		2012		2011	
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>Income</b>								
Income on financing			907	1,212	-	-	-	-
Other income			1,438	1,648	-	-	-	-
<b>Total</b>			<b>2,345</b>	<b>2,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>								
Income attributable to:								
Depositors			484	339	1	3	-	-
Others			-	1,608	-	-	-	-
<b>Total</b>			<b>484</b>	<b>1,947</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>-</b>

(iv) Significant investors either entities or individuals that have control or significant influence over the affairs of the bank

**a. Balance Sheet**

	Entities			
	2012		2011	
	B\$'000	B\$'000	B\$'000	B\$'000
<b>Assets</b>				
Other assets			389	370
<b>Total</b>			<b>389</b>	<b>370</b>
<b>Liabilities</b>				
Deposits			1,264,839	1,189,952
<b>Total</b>			<b>1,264,839</b>	<b>1,189,952</b>
No of shares held			643,862	643,862
Dividends paid			30,262	23,823

**b. Income Statement**

	2012		2011	
	B\$'000	B\$'000	B\$'000	B\$'000
<b>Expenses</b>				
Income attributable to depositors			3,495	807
Other expenses			23,008	17,331
<b>Total</b>			<b>26,503</b>	<b>18,138</b>
<b>Off-balance sheet items</b>				
Guarantees			1,269	1,281
<b>Total</b>			<b>1,269</b>	<b>1,281</b>

5. CAPITAL ADEQUACY

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
<b>Regulatory capital</b>				
Core capital (Tier 1 capital) before dividend	955,489	889,724	1,024,661	939,565
Less: Dividends to be proposed for the financial years	(23,917)	(34,063)	(23,917)	(34,063)
Core capital (Tier 1 capital) after dividend	931,572	855,661	1,000,744	905,502
Supplementary capital (Tier II capital)	30,137	28,089	34,529	32,048
Less: Investment in Associates and Subsidiaries	(33,563)	(33,563)	(7,903)	(7,903)
<b>Total capital base</b>	<b>928,146</b>	<b>850,187</b>	<b>1,027,370</b>	<b>929,647</b>
<b>Total risk-weighted amount</b>				
Risk-weighted amount for credit risk	3,186,865	2,935,849	3,715,774	3,378,383
Risk-weighted amount for operational risk	232,049	220,530	276,098	257,477
<b>Total risk-weighted amount</b>	<b>3,418,914</b>	<b>3,156,379</b>	<b>3,991,872</b>	<b>3,635,860</b>
<b>Capital ratios</b>				
Core capital (Tier 1) ratio %	27.2%	27.1%	25.1%	24.9%
<b>Total capital ratio %</b>	<b>27.1%</b>	<b>26.9%</b>	<b>25.7%</b>	<b>25.6%</b>

6. CONTINGENCIES AND COMMITMENTS

i. In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
<b>Contingencies</b>				
Letters of credit	48,508	59,781	48,508	59,781
Guarantees, bonds	113,965	106,584	113,965	106,584
Shipping guarantees	23,750	21,658	23,750	21,658
Acceptances	4,584	2,159	4,584	2,159
Import bills	1,263	4,425	1,263	4,425
Foreign exchange contracts	2,965,738	3,483,015	2,965,738	3,483,015
<b>Sub Total</b>	<b>3,157,208</b>	<b>3,677,622</b>	<b>3,157,208</b>	<b>3,677,622</b>
<b>Commitments</b>				
Undrawn credit lines	264,316	31,501	264,316	31,501
<b>Sub Total</b>	<b>3,421,524</b>	<b>3,709,123</b>	<b>3,421,524</b>	<b>3,709,123</b>

ii. Capital expenditure approved by the Board of Directors, for which provision has not been made in these accounts, amounted to approximately the following:

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
<b>Capital expenditure</b>				
Approved but not contracted for	3,484	8,207	6,812	8,207
Approved and contracted for	406	-	1,158	-
<b>Sub Total</b>	<b>3,890</b>	<b>8,207</b>	<b>7,970</b>	<b>8,207</b>
<b>Total contingencies and commitments</b>	<b>3,425,414</b>	<b>3,717,330</b>	<b>3,429,494</b>	<b>3,717,330</b>

7. SIGNIFICANT RISKS ASSOCIATED WITH THE GROUP'S OPERATIONS

7.1 Risks to which the Group is exposed:-

a. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Group's financing activities which represents the Group's major risk type.

To manage this risk, the Group has set up review committees for assessing the amount of risk accepted in relation to one or groups of customers, industry segments, level of non-performing financing and adequacy of impairment loss.

Credit risk is also managed based on the risk profile of the customer, repayment source and the nature of underlying collateral such as property.

b. Foreign Exchange Risk

Foreign exchange risk is defined as the risk of loss arising from movements in the exchange rates applicable to foreign currency assets and liabilities. Instruments used to mitigate this risk include foreign exchange forwards and deposits which help to insulate against losses that may arise due to movements in foreign exchange rates.

c. Profit Rate Risk

Profit rate or financing and deposit rates risk is the risk that the value of the Group's financial assets and/or financial liabilities change because of changes in financing rate and deposit rates. Financing and deposit rates risk arise primarily from the fact that financial assets and financial liabilities are regularly re-priced at different points in time.

The Group's exposure to financing and deposit rates risk is represented by financing to customers, customers' deposits, cash and cash equivalents and amount due to bank.

Differences between financing and deposit rates are monitored and managed in a variety of ways that seek to mitigate risks by reducing the effect of movements in the level and volatility of financing and deposit rates. Hedging instruments used to mitigate these risks include forwards and swaps.

d. Liquidity Risk

The Group's exposure to liquidity risk arises when the Group is faced with a loss arising from the possibility of the Group not having sufficient funds to meet its obligations from its financial liabilities.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Bank and one of its subsidiaries have to comply with Section 45(1) of the Islamic Banking Order, 2008 and section 134 of the Finance Companies Act, Cap 89 respectively to maintain minimum cash balances with the Autoriti Monetari Brunei Darussalam.

The Bank manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

e. Market Risk

The Group's exposure to market risk arises when the Group faces losses arising from movements in market prices of investments.

The Group's exposure to market risk is restricted to quoted and unquoted investment, equity shares and unit trust. There is a review committee set up to monitor and assess the portfolio of investments in order to optimize income and balance sheet management through the deployment of funds in Sukuk, equities and funds or in the inter-bank market.

f. Counterparty Risk

Exposure to counterparties potentially arising from treasury-related activities is actively managed and monitored through a well-defined process which includes the assessment of financial strength and the establishment of appropriate counterparty limits. External ratings are also used to control the level of credit risk accepted by the Group.

Counterparty exposure is viewed similarly to financing exposure and approved at the appropriate committees depending on the size and nature of the proposed transaction.

g. Operational Risk

Operational risk is the potential for loss resulting from events involving people, internal processes, systems or external events. A set of minimum control standards for operational risk management has been developed with the objective of ensuring that operational risks within the Group are identified and managed in a structured and consistent manner.

7.2 Responsibility of directors

7.2.1 Directors

The names of directors of the Bank at the date of this report are:  
 Yang Berhormat Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji Yahya bin Begawan Mudin Dato Paduka Haji Bakar  
 Yang Mula Dato Paduka Awang Haji Bahru bin Abdullah  
 Yang Mulla Iqbal Ahmad Khan  
 Yang Mulla Janardi bin Hj Masri  
 Yang Mulla Jan Hendrik van Greuning  
 Yang Mulla Abdulaziz Mohammed L. Alsubaiei  
 Yang Mulla Javed Ahmad bin Kamil Hasan

7.2.2 Responsibilities of directors

- Provide oversight of management on behalf of shareholders.
- Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with law and the Group's code of conduct.
- Review the Group's compensation and benefits programs as well as its succession planning and diversity programs.
- Review major strategic, financial and other objectives initiatives of the Group.
- Nominate directors and evaluate the structure and practices of the Board to provide for sound corporate governance.
- Review the Group's community oriented activities.

7.3 Other disclosures

7.3.1 Subsidiaries

The names of subsidiaries of the Bank are:

- BIBD At-Tamwil Bhd
- BIBD Securities Sdn Bhd
- IDBB Sukuk Inc
- IDBB Management & Services Bhd
- IBB Capital Asset Management Sdn Bhd
- Belait Barakah Sdn Bhd
- BIBD Al-Kauthar Funds DCC Incorporated
- IBB Transport Sdn Bhd
- Saujana Sdn Bhd

7.3.2 Shariah Committee's role and authority

- Advice on Shariah matters.
- Support the Bank and its subsidiaries with the relevant Shariah jurisprudential literature when seeking advice or decision on Shariah matters.
- Oversee proper implementation of Shariah Advisory Body's decisions.
- Review and endorse Shariah compliance manual and relevant transactional product and legal documents.

7.3.3 Zakat obligations

The Bank uses the net invested funds method for its calculation of Zakat as approved by the Shariah Advisory Body.

CERTIFICATION:

I, the undersigned, being the Chief Executive Officer of Bank Islam Brunei Darussalam Berhad certify that:-

- the above accounts and statements have been prepared in accordance with the format and definitions prescribed by the Authority in terms of sections 27 (4) and (5) of the Islamic Banking Order 2008.
- the information contained in these statements have been extracted from the audited financial accounts and statements.

Javed Ahmad bin Kamil Hasan  
 Chief Executive Officer  
 28 March 2013



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Independent auditor's report

Members of the Bank  
 Bank Islam Brunei Darussalam Berhad

Report on the financial statements

We have audited the accompanying financial statements of Bank Islam Brunei Darussalam Berhad (the Bank) and its subsidiaries (the Group), which comprise the balance sheets of the Bank and the Group as at 31 December 2012, the income statements, statements of changes in equity and cash flow statements of the Bank and the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 60.

Directors' responsibility

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the Act), the Islamic Banking Order, 2008 and generally accepted accounting principles in Brunei Darussalam with such modification so as to comply with the Guidelines/Notices issued by the Autoriti Monetari Brunei Darussalam or issued pursuant to the Islamic Banking Order, 2008 and the Principles of Shariah as approved by the Shariah Advisory Body. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.